

**TENNESSEE TECHNOLOGICAL UNIVERSITY
DORMITORY CORPORATION**

FOR THE YEAR ENDED JUNE 30, 1996

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December 30, 1996

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol

Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor

Tennessee Board of Regents

1415 Murfreesboro Road, Suite 350

Nashville, Tennessee 37217

and

Mr. Ed Hooper, President

Tennessee Technological University Dormitory Corporation

59 North Jefferson Street

Cookeville, Tennessee 38501

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Technological University Dormitory Corporation for the year ended June 30, 1996. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
97-024

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Technological University Dormitory Corporation
For the Year Ended June 30, 1996

AUDIT OBJECTIVES

The objectives of the audit were to consider the corporation's internal control structure; to determine compliance with laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

AUDIT REPORT
TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
FOR THE YEAR ENDED JUNE 30, 1996

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TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
FOR THE YEAR ENDED JUNE 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Technological University Dormitory Corporation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the corporation’s internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE AUDIT

The audit was limited to the period July 1, 1995, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1996, and for comparative purposes, the year ended June 30, 1995. The Tennessee Technological University Dormitory Corporation is a blended component unit of Tennessee Technological University.

BACKGROUND AND ORGANIZATION

The Tennessee Technological University Dormitory Corporation was chartered as a general welfare, nonprofit corporation on February 23, 1966. The purpose of the corporation is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university. Upon dissolution of the corporation, all the corporation's assets remaining after the payment of all its liabilities are to be transferred to the university without further consideration.

A meeting of the five-member board of directors of the Tennessee Technological University Dormitory Corporation was held on July 14, 1966, to adopt a bond resolution authorizing the issuance of dormitory revenue bonds of \$3,425,000. First Tennessee Bank was named as trustee. At a similar meeting on May 12, 1967, the board of directors adopted a resolution authorizing the issuance of \$2,900,000 in dormitory revenue bonds and named Union Planters National Bank of Memphis as trustee.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the corporation's financial statements for the year ended June 30, 1996, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages. Consideration of the internal control structure disclosed no material weaknesses.

Compliance with Laws and Regulations

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. The compliance report follows the report on the internal control structure.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the corporation's financial statements. The independent auditor's report follows the compliance report.

**Report on the Internal Control
Structure Based on an Audit of the Financial Statements
Performed in Accordance With
*Government Auditing Standards***

November 1, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The corporation's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to

The Honorable W. R. Snodgrass
November 1, 1996
Page Two

the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the corporation's financial statements for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

November 1, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the corporation is the responsibility of the corporation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

The Honorable W. R. Snodgrass
November 1, 1996
Page Two

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

Independent Auditor's Report

November 1, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of June 30, 1996, and June 30, 1995, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Technological University Dormitory Corporation as of June 30, 1996, and June 30, 1995, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
November 1, 1996
Page Two

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, following the notes to the financial statements, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued reports dated November 1, 1996, on our consideration of the corporation's internal control structure and on its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
BALANCE SHEETS
JUNE 30, 1996, AND JUNE 30, 1995

ASSETS	June 30, 1996	June 30, 1995	LIABILITIES AND FUND BALANCES	June 30, 1996	June 30, 1995
Plant funds:			Plant funds:		
Retirement of indebtedness:			Retirement of indebtedness:		
Deposits with trustees (Note 2)	\$ 515,688.20	\$ 508,198.43	Liabilities:		
Accrued interest receivable	<u>678.03</u>	<u>801.81</u>	Accrued interest payable	\$ <u>19,573.00</u>	\$ <u>21,618.00</u>
			Fund balances:		
			Restricted	354,300.00	354,300.00
			Unrestricted	<u>142,493.23</u>	<u>133,082.24</u>
			Total fund balances	<u>496,793.23</u>	<u>487,382.24</u>
Total retirement of indebtedness	<u>516,366.23</u>	<u>509,000.24</u>	Total retirement of indebtedness	<u>516,366.23</u>	<u>509,000.24</u>
Investment in plant:			Investment in plant:		
Buildings	<u>6,888,005.68</u>	<u>6,888,005.68</u>	Liabilities:		
			Loan payable to the university	579,063.57	383,189.70
			Bonds payable (Note 3)	<u>2,267,000.00</u>	<u>2,508,000.00</u>
			Total liabilities	<u>2,846,063.57</u>	<u>2,891,189.70</u>
			Fund balance:		
			Net investment in plant	<u>4,041,942.11</u>	<u>3,996,815.98</u>
Total investment in plant	<u>6,888,005.68</u>	<u>6,888,005.68</u>	Total investment in plant	<u>6,888,005.68</u>	<u>6,888,005.68</u>
Total plant funds	\$ <u><u>7,404,371.91</u></u>	\$ <u><u>7,397,005.92</u></u>	Total plant funds	\$ <u><u>7,404,371.91</u></u>	\$ <u><u>7,397,005.92</u></u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds	Plant Funds		
	<u>Unrestricted</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment In Plant</u>
REVENUES AND OTHER ADDITIONS				
Dormitory rentals	\$ 927,307.23	\$ -	\$ -	\$ -
Apartment rentals	516,544.61	-	-	-
Special and clinic revenues	68,722.23	-	-	-
Transfer from the university	205,284.86	-	-	-
Investment income	-	-	23,059.58	-
Retirement of indebtedness	-	-	-	241,000.00
Other	10,771.01	-	-	-
Total revenues and other additions	<u>1,728,629.94</u>	<u>-</u>	<u>23,059.58</u>	<u>241,000.00</u>
EXPENDITURES AND OTHER DEDUCTIONS				
Administrative	87,099.48	-	-	-
Maintenance	321,728.34	-	-	-
Telephone	154,646.51	-	-	-
Counselor fees	51,353.18	-	-	-
Plant costs	291,590.67	-	-	-
General	180,009.05	-	-	-
Conferences	5,906.24	-	-	-
Expended for noncapital items	-	273,269.86	-	-
Retirement of indebtedness	-	-	241,000.00	-
Interest on indebtedness	-	-	124,832.50	-
Debt service agent fees	-	-	9,976.90	-
Increase in loan payable	-	-	-	195,873.87
Other	865.80	-	-	-
Total expenditures and other deductions	<u>1,093,199.27</u>	<u>273,269.86</u>	<u>375,809.40</u>	<u>195,873.87</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)				
Mandatory:				
Renewals and replacements	(273,269.86)	273,269.86	-	-
Principal and interest	(362,160.81)	-	362,160.81	-
Total transfers	<u>(635,430.67)</u>	<u>273,269.86</u>	<u>362,160.81</u>	<u>-</u>
Net increases for the year	-	-	9,410.99	45,126.13
Fund balances at beginning of year	-	-	487,382.24	3,996,815.98
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,793.23</u>	<u>\$ 4,041,942.11</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds	Plant Funds			
	Unrestricted	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS					
Dormitory rentals	\$ 1,111,250.08	\$ -	\$ -	\$ -	-
Apartment rentals	512,239.45	-	-	-	-
Special and clinic revenues	75,566.18	-	-	-	-
Transfer from the university	142,887.18	-	-	-	-
Investment income	-	-	-	19,750.19	-
Gain on retirement of debt	-	-	-	1,787.50	-
Retirement of indebtedness	-	-	-	-	230,000.00
Other	14,655.03	-	-	-	-
Total revenues and other additions	<u>1,856,597.92</u>	<u>-</u>	<u>-</u>	<u>21,537.69</u>	<u>230,000.00</u>
EXPENDITURES AND OTHER DEDUCTIONS					
Administrative	92,205.18	-	-	-	-
Maintenance	348,041.67	-	-	-	-
Telephone	177,449.62	-	-	-	-
Counselor fees	45,606.89	-	-	-	-
Plant costs	369,762.34	-	-	-	-
General	219,677.06	-	-	-	-
Conferences	6,207.12	-	-	-	-
Expended for noncapital items	-	82,768.82	155,153.62	-	-
Retirement of indebtedness	-	-	-	230,000.00	-
Interest on indebtedness	-	-	-	134,088.00	-
Debt service agent fees	-	-	-	10,181.42	-
Increase in loan payable	-	-	-	-	139,208.03
Other	1,527.22	-	-	-	-
Total expenditures and other deductions	<u>1,260,477.10</u>	<u>82,768.82</u>	<u>155,153.62</u>	<u>374,269.42</u>	<u>139,208.03</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)					
Mandatory:					
Unexpended plant	(82,768.82)	82,768.82	-	-	-
Renewals and replacements	(155,153.62)	-	155,153.62	-	-
Principal and interest	(358,198.38)	-	-	358,198.38	-
Total transfers	<u>(596,120.82)</u>	<u>82,768.82</u>	<u>155,153.62</u>	<u>358,198.38</u>	<u>-</u>
Net increases for the year	-	-	-	5,466.65	90,791.97
Fund balances at beginning of year	-	-	-	481,915.59	3,906,024.01
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,382.24</u>	<u>\$ 3,996,815.98</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES,
AND OTHER CHANGES
FOR THE YEARS ENDED JUNE 30, 1996, AND JUNE 30, 1995

	Unrestricted	
	Year Ended June 30, 1996	Year Ended June 30, 1995
<u>REVENUES</u>		
Dormitory rentals	\$ 927,307.23	\$ 1,111,250.08
Apartment rentals	516,544.61	512,239.45
Special and clinic revenues	68,722.23	75,566.18
Other	10,771.01	14,655.03
Total current revenues	1,523,345.08	1,713,710.74
<u>EXPENDITURES AND TRANSFERS</u>		
Expenditures:		
Administrative	87,099.48	92,205.18
Maintenance	321,728.34	348,041.67
Telephone	154,646.51	177,449.62
Counselor fees	51,353.18	45,606.89
Plant costs	291,590.67	369,762.34
General	180,009.05	219,677.06
Conferences	5,906.24	6,207.12
Other	865.80	1,527.22
Total expenditures	1,093,199.27	1,260,477.10
Mandatory transfers for:		
Unexpended plant	-	82,768.82
Renewals and replacements	273,269.86	155,153.62
Principal and interest	362,160.81	358,198.38
Total expenditures and transfers	1,728,629.94	1,856,597.92
<u>OTHER ADDITION</u>		
Transfer from the university	205,284.86	142,887.18
Net increase (decrease) in fund balances	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1996 AND JUNE 30, 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Tennessee Technological University Dormitory Corporation was chartered as a body corporate and politic; it is a general welfare corporation whose purpose is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university.

The corporation is a blended component unit of Tennessee Technological University. Although it is legally separate from the university, in the university's financial statements the corporation is reported as if it were part of the university. Because of the nature and significance of its relationship with the university, the exclusion of the corporation from the university's reporting entity would render the university's financial statements incomplete. The assets and liabilities of the corporation are included in the plant funds on the university's balance sheet. Revenues and expenditures of the corporation are also included in the university's financial statements. The excess of expenditures over revenues is recorded as an increase to accounts receivable by the university, and the excess of revenues over expenditures is recorded as a decrease to accounts receivable. Upon dissolution of the corporation, all the corporation's assets remaining after payment of all its liabilities are to be transferred to the university without further consideration.

BASIS OF PRESENTATION

The financial statements of the corporation have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The corporation uses the AICPA College Guide model for accounting and financial reporting.

BASIS OF ACCOUNTING

The financial statements of the corporation have been prepared on the accrual basis, except that depreciation on buildings is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1996, AND JUNE 30, 1995

the fiscal year in which the term is predominantly conducted. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as mandatory transfers for unexpended plant, renewal and replacement, and required debt amortization and interest.

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of the resources available, the corporation maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Ordinary income derived from investments is accounted for in the fund owning such assets. All unrestricted revenue is accounted for in the unrestricted current funds.

Current Funds

Unrestricted current funds consist of those funds over which the corporation retains full control for use in achieving any of its authorized corporate purposes.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1996, AND JUNE 30, 1995

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for corporate purposes, (2) funds set aside for the renewal and replacement of corporate properties, (3) funds set aside for debt service charges and for the retirement of the indebtedness on corporate properties, and (4) funds expended for, and thus invested in, corporate properties.

PLANT ASSETS

Buildings are stated at cost; depreciation is not recorded.

LOAN PAYABLE TO THE UNIVERSITY

The loan payable is the amount of funds paid from the university's general housing operations on behalf of the corporation. This cumulative amount reflects the net loss of the corporation for the period from the inception of the corporation through June 30, 1996. The loss takes into account the expenditures for unexpended plant, renewals and replacements, and debt service.

NOTE 2. DEPOSITS WITH TRUSTEES

Reserves at First Tennessee Bank and Union Planters National Bank have been maintained at a level equal to or higher than that required by the various bond resolutions. At June 30, 1996, the reserves consisted of \$118,206.94 in cash and mutual funds with a carrying amount and market value of \$397,481.26. At June 30, 1995, the reserves consisted of \$99,011.62 in cash and mutual funds with a carrying amount and market value of \$409,186.81. Mutual funds are not susceptible to credit risk categorization.

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the corporation. Category 1 consists of deposits that are insured or collateralized with securities held by the corporation or by its agent in the corporation's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1996, AND JUNE 30, 1995

corporation's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the corporation's name.

At June 30, 1996, the carrying amount and bank balance of the corporation's deposits was \$118,206.94. Of the bank balance, \$100,001.12 was category 1, and \$18,205.82 was category 3.

At June 30, 1995, the carrying amount and bank balance of the corporation's deposits was \$99,011.62. The bank balance was category 1.

NOTE 3. BONDS PAYABLE

Bond issues, with interest rates ranging from 4.5% to 5.0%, are due serially to 2005 and are secured by pledges of the facilities' revenues to which they relate. The corporation's debt service requirements to maturity for bonds payable at June 30, 1996, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 255,000.00	\$ 124,587.50	\$ 379,587.50
1998	267,000.00	111,260.00	378,260.00
1999	278,000.00	97,257.50	375,257.50
2000	292,000.00	82,617.50	374,617.50
2001	303,000.00	67,400.00	370,400.00
2002-2005	<u>872,000.00</u>	<u>100,557.50</u>	<u>972,557.50</u>
	<u>\$2,267,000.00</u>	<u>\$ 583,680.00</u>	<u>\$2,850,680.00</u>

NOTE 4. TRANSMITTAL OF REVENUE

Revenue has been transmitted to the proper trust officer of each bond issue in accordance with the applicable bond resolution and memorandum of agreement between the university, the corporation, and the various trust officers involved with the bond issues.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1996, AND JUNE 30, 1995

NOTE 5. EXPENDITURES

The maintenance of the married student apartments and residence halls is in keeping with the stipulations in the various bond resolutions.

NOTE 6. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1996, the scheduled coverage for the corporation was \$25,917,000 for buildings and \$1,267,400 for contents. At June 30, 1995, the scheduled coverage was \$21,586,200 for buildings and \$1,240,400 for contents.

The corporation has a business interruption insurance policy issued by the Continental National American Group which provides \$530,000 of coverage. In the past three fiscal years, the corporation has not had any claims filed with the commercial insurer.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The corporation participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the corporation based on a percentage of the corporation's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the corporation participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the corporation for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1996, AND JUNE 30, 1995

NOTE 7. PRIOR-YEAR RESTATEMENT

The financial statements for the year ended June 30, 1995, were restated to reflect the AICPA College Guide model with no effect on fund balances.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
 SCHEDULE OF CHANGES IN RESERVE BALANCE
 FOR THE YEAR ENDED JUNE 30, 1996

	<u>6-8-150 Apartments</u>	<u>Women's Residence Halls</u>	<u>Total</u>
Balance, July 1	\$ 347,450.84	\$ 161,549.40	\$ 509,000.24
Additions:			
Principal and interest transfers	189,655.06	172,505.75	362,160.81
Investment income	<u>13,817.98</u>	<u>9,241.60</u>	<u>23,059.58</u>
Total available	<u>550,923.88</u>	<u>343,296.75</u>	<u>894,220.63</u>
Deductions:			
Retirement of indebtedness	135,000.00	106,000.00	241,000.00
Interest payments	53,887.50	72,990.00	126,877.50
Debt service agent fees	<u>6,998.36</u>	<u>2,978.54</u>	<u>9,976.90</u>
Total deductions	<u>195,885.86</u>	<u>181,968.54</u>	<u>377,854.40</u>
Balance, June 30	\$ <u><u>355,038.02</u></u>	\$ <u><u>161,328.21</u></u> (1)	\$ <u><u>516,366.23</u></u>

Note:

(1) This amount includes accrued interest receivable of \$678.03.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
SCHEDULE OF REVENUES AND EXPENDITURES BY BOND ISSUE
FOR THE YEAR ENDED JUNE 30, 1996

	<u>6-8-150 Apartments</u>	<u>7-50 Apartments</u>	<u>Women's Residence Halls</u>	<u>Total</u>
University building name	Browning, Cooper, Dunn, Evins, and Married Student Apartments	Ellington, Warf, and Married Student Apartments	Murphy and Jobe	
Rated capacity (fall semester)	739	50	330	
Occupancy - academic year	1010	100	415	
Percent occupied	68.34%	100.00%	62.88%	
Trustee	First Tennessee Bank	Union Planters National Bank	Union Planters National Bank	
Revenues:				
Dormitory rentals	\$ 587,592.07	\$ -	\$ 339,715.16	\$ 927,307.23
Apartment rentals	397,094.83	119,449.78	-	516,544.61
Special and clinic revenues	30,338.00	18,657.00	19,727.23	68,722.23
Investment income	13,817.98	-	9,241.60	23,059.58
Other	7,226.55	916.43	2,628.03	10,771.01
Total revenues	<u>1,036,069.43</u>	<u>139,023.21</u>	<u>371,312.02</u>	<u>1,546,404.66</u>
Expenditures:				
Administrative	60,159.05	11,307.33	15,633.10	87,099.48
Maintenance	207,176.87	7,730.35	106,821.12	321,728.34
Telephone	102,979.08	10,587.17	41,080.26	154,646.51
Counselor fees	32,523.68	-	18,829.50	51,353.18
Plant costs	195,411.93	24,302.48	71,876.26	291,590.67
General	114,253.83	561.52	65,193.70	180,009.05
Conferences	2,607.35	1,603.45	1,695.44	5,906.24
Expended for noncapital items	268,481.33	1,529.88	3,258.65	273,269.86
Interest on indebtedness	52,888.50	-	71,944.00	124,832.50
Debt service agent fees	6,998.36	-	2,978.54	9,976.90
Other	548.34	-	317.46	865.80
Total expenditures	<u>1,044,028.32</u>	<u>57,622.18</u>	<u>399,628.03</u>	<u>1,501,278.53</u>
Net increase (decrease) for the year	\$ <u>(7,958.89)</u>	\$ <u>81,401.03</u>	\$ <u>(28,316.01)</u>	\$ <u>45,126.13</u>

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
SCHEDULE OF DEBT SERVICE STATISTICS
FOR THE YEAR ENDED JUNE 30, 1996

<u>Name</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total Paid On Principal</u>	<u>Principal Outstanding June 30, 1996</u>	<u>Reserve Account</u>	<u>During the Year Ended June 30, 1996 Principal, Interest, and Agent's Fee Paid</u>	<u>During the Year Ending June 30, 1997 Principal, Interest, and Agent's Fee Payable</u>
Tennessee Technological University Dormitory Corporation (First Tennessee Trustee)	5/1/66	4.5%	\$ 3,425,000.00	\$ 2,295,000.00	\$ 1,130,000.00	\$ 355,038.02	\$ 195,885.86	\$ 199,587.50
Tennessee Technological University Dormitory Corporation (Series B) (Union Planters Trustee)	11/1/67	5.0%	<u>1,439,000.00</u>	<u>302,000.00</u>	<u>1,137,000.00</u>	<u>161,328.21</u> (1)	<u>181,968.54</u>	<u>180,000.00</u>
Total			<u>\$ 4,864,000.00</u>	<u>\$ 2,597,000.00</u>	<u>\$ 2,267,000.00</u>	<u>\$ 516,366.23</u>	<u>\$ 377,854.40</u>	<u>\$ 379,587.50</u>

Note:

(1) This amount includes accrued interest receivable of \$678.03.